

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 STRE-00 SSO-00 NSCE-00 INRE-00

ICAE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00

PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00

SP-02 SOE-02 OMB-01 DOE-15 AF-10 ARA-10 EA-10

EUR-12 NEA-11 /151 W

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LIMITED OFFICIAL USE GENEVA 07484

PASS STR ELECTRONICALLY

PASS TREASURY

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: EXPORT COST INFLATION INSURANCE SCHEMES

REF: (A) GENEVA 7124, (B) STATE 122238

1. KEY DELS MET AGAIN MAY 16 TO TRY TO WORK OUT TERMS OF REFERENCE FOR PROPOSED PANEL. IT QUICKLY BECAME APPARENT THAT TERMS OF REFERENCE WORKED OUT LABORIOUSLY IN LAST MEETING (SEE REF A) WERE UNACCEPTABLE TO CANADA, UK AND FRANCE. PRIOR TO THIS MORNING'S MEETING CANADIAN DEL TOLD US THAT OTTAWA HAD INSTRUCTED HIM TO REVERT TO ORIGINAL TERMS OF REFERENCE PROPOSED BY CANADA, AND THAT IF THESE WERE UNACCEPTABLE TO INDICATE THAT CANADA WOULD PURSUE ITEM IN MTN. FRENCH, WHO WERE WITHOUT INSTRUCTIONS AT PREVIOUS MEETING, INDICATED THAT THEY COULD ACCEPT AMENDED TERMS OF REFERENCE IF MENTION WAS MADE OF ARTICLE XVI:5 AND IF OTHER SCHEMES WERE INCLUDED IN LIMITED OFFICIAL USE

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PANEL'S MANDATE. AFTER EXTENDED DISCUSSION, FRANCE AND UK MADE CLEAR THEY COULD NOT ACCEPT "COMPATIBILITY" IN TERMS OF REFERENCE, AND CANADA MADE IT EQUALLY CLEAR IT COULD NOT ACCEPT TERMS OF REFERENCE THAT DID NOT EXAMINE QUESTION OF "COMPATIBILITY." IN ORDER TO BRIDGE THESE DIFFERENCES, FOLLOWING TERMS OF REFERENCE WERE WORKED OUT AD REFERENDUM:

"TO EXAMINE, PURSUANT TO ARTICLE XVI:5, AND TAKING INTO ACCOUNT THE REPORT OF THE WORKING PARTY ON EXPORT INFLATION INSURANCE SCHEMES (L/4552), WHETHER AND UNDER WHAT CONDITIONS EXPORT INFLATION INSURANCE SCHEMES ARE EXPORT SUBSIDIES WITHIN THE MEANING OF ARTICLE XVI:4, AND TO REPORT ITS FINDINGS TO THE COUNCIL."

2. KEY DELS INDICATED THEY WOULD ATTEMPT TO OBTAIN INSTRUCTIONS PRIOR TO GATT COUNCIL MAY 17. IF TERMS OF REFERENCE ARE NOT ACCEPTABLE TO ALL DELS BY TIME OF COUNCIL MEETING, COUNCIL CHAIRMAN WILL INDICATE THAT BILATERAL CONSULTATIONS HAVE NOT RESOLVED DIFFERENCES AND MATTER WILL BE LEFT FOR A FUTURE COUNCIL MEETING.

3. WE NOTE THAT CANADA APPEARS TO BE BACKING AWAY FROM AN ARTICLE XXIII ACTION AT THIS TIME. CANADIAN DEL SAID THAT IF PANEL DOES NOT LOOK AT COMPATIBILITY OF SCHEMES, CANADA WILL PURSUE ITEM IN MTN LEAVING QUESTION OF ARTICLE XXIII ACTION TO LATER DATE. THUS, POSSIBILITY OF U.S. JOINING OR SUPPORTING CANADIAN ACTION ON XXIII AS INDICATED REF B MAY NOT BE POSSIBLE, AND U.S. WOULD HAVE TO INITIATE ACTION ITSELF. IN ANY CASE, CONSULTATIONS WOULD BE REQUIRED FIRST EITHER UNDER ARTICLE XXII:1 OR XXIII:1 TO MEET THE REQUIREMENTS OF ASKING FOR THE ESTABLISHMENT OF A PANEL UNDER ARTICLE LIMITED OFFICIAL USE

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XXIII:2. AS SEPTTEL NOTES, GATT COUNCIL IS LIKELY TO MEET AGAIN WITHIN THREE WEEKS TO HEAR HONG KONG COMPLAINT AGAINST NORWAY. HOPEFULLY ADDITIONAL THREE WEEKS WILL ENABLE US TO WORK OUT ACCEPTANCE FOR TERMS OF REFERENCE FOR SUGGESTED PANEL. IF THIS FAILS, WE STILL HAVE THE OPTION OF INITIATING AN ARTICLE XXIII ACTION.

4. ACTION REQUESTED: INSTRUCTIONS BY OPENING OF BUSINESS MAY 17 ON WHETHER U.S. CAN ACCEPT NEW PROPOSED TERMS OF REFERENCE. SORENSON

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